

Rating Action: Moody's downgrades Burgan Bank's long-term deposit rating to Ba3 (Turkey)

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The action follows corresponding changes to the parent's rating

London, 24 June 2015 -- Moody's Investors Service downgraded the long-term deposit ratings of Burgan Bank A.S. (Burgan Bank) to Ba3 from Ba2, with a stable outlook.

Burgan Bank's b2 standalone baseline credit assessment (BCA) was not affected by this rating action.

The downgrade of the rating results from the downgrade to ba2 from ba1 of the BCA of Burgan's Kuwait based parent, Burgan Bank S.A.K.P (deposits A3 STA/P-2; /BCA ba2). For further details on the rating actions on the parent bank, please refer to Moody's press release: https://www.moody's.com/research/-PR_327465

At the same time the bank's Counterparty Risk Assessment was lowered to Ba2(cr) from Ba1(cr) and the Adjusted BCA was downgraded to ba3 from ba2.

This rating action concludes the review for downgrade placed on this rating in March, 2015.

RATINGS RATIONALE

The downgrade of the Kuwaiti parent's BCA to ba2 from ba1 has prompted a similar downgrade of the subsidiary's supported rating, driven by the parent's reduced capacity to provide support. At the same time, the rating agency notes the demonstrated willingness of the parent bank to maintain and provide ongoing assistance to its Turkey-based given its growing importance for the group.

Moody's continues to incorporate a very high probability of support from the parent in Burgan Bank's long-term deposit rating, leading to a two notch of uplift on the bank's standalone BCA.

WHAT COULD MOVE THE RATINGS UP/DOWN

A downward or upward rating action of Burgan Bank's supported ratings could be triggered by a similar rating action on Burgan S.A.K.P, although given the stable outlook, this is unlikely in the near future.

The standalone BCA of Burgan Bank A.S. has not been affected and any upward future pressure will be driven by material evidence of the bank managing to consolidate its franchise, achieve sustainable improvement in core profitability and self-sufficiency in funding and capital generation.

Conversely, negative pressure could develop on the BCA in case of further deterioration in profitability or asset quality, leading to further losses and diminished capitalisation of the bank.